# CHAPTER 1

# POLICY STATEMENT ON SPECIAL ASSISTANCE AND SPECIAL ACTIONS

**1. BACKGROUND.** The National Credit Union Administration (NCUA) policy statement on Special Actions was originally developed in 1987 by a group consisting of representatives of the regional directors, deputy regional directors, directors of special actions, and staff members from the Office of Examination and Insurance (E&I). There were some subsequent modifications made to the document, and the NCUA Board officially approved the Policy Statement at its May 14, 1992 meeting. On February 24, 1993, the NCUA Board approved another policy issue dealing with the use and repayment of the "Incentive Forgiveness" portion of Capital Notes. On April 16, 1997, the NCUA Board approved a revision to the Policy Statement to separate Special Assistance policies from Special Actions policies and to clarify both. The following "Policy Statement on Special Assistance and Special Actions" incorporates all revisions that have been reviewed by the NCUA Board through April 1997.

**2. SPECIAL ASSISTANCE[1].** The FCU Act provides the NCUA Board (NCUAB) or its representative the discretion and the authority to provide special assistance to federally insured credit unions. Normally, by the time special assistance is considered, all other supervisory solutions have been exhausted. All cases of special assistance are requested through the Regional Director (RD) and are subject to review by the NCUA Board Members.

Special assistance is not a grant. A credit union requesting special assistance must meet specific evaluation criteria and operational requirements to be considered for approval. NCUA carefully evaluates all assistance requests in terms of both the impact on the NCUSIF and the credit union(s) involved.

**3. 116 ASSISTANCE.** Section 116(b) of the FCU Act provides the NCUAB the discretion and authority to decrease reserve requirements set forth in Section 116(a). Currently such authority is delegated to the RDs by SUP 4 of the NCUA Delegations of Authority.

Extraordinary losses are first absorbed by Undivided Earnings and Other Reserves, then by Regular Reserves or revocable reserves in excess of regulatory reserve requirements. Federally chartered credit unions must request in writing that the RD approve a charge to Regular Reserves to eliminate any deficits in Undivided earnings, a waiver of the required reserve transfer, or a decrease in the reserve requirements <u>and</u> allow payment of reasonable dividends[2]. If available reserves are inadequate and a deficit in Undivided Earnings results, 208 Assistance can be considered to continue operations, in lieu of liquidation or merger.

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[1] **REFERENCES:** Sections 116 and 208 of the Federal Credit Union (FCU) Act; Part 702.2(c)-(d) and 741.3(a) of the NCUA Rules and Regulations; Chapter 27 of the Examiner's Guide.

[2] § 702.2 of the NCUA Rules and Regulations allows charges to reserves (for loan losses only) if capital exceeds 6 percent and the ratio will not fall by more than 1/2 percent. The credit union board must document the amount, an explanation, and their authorization. Charges resulting from losses other than loan losses must be approved by the RD for FCUs. State chartered credit unions' requirements vary according to state statute.

In most 116 Assistance cases, the RD issues a Letter of Understanding and Agreement (LUA) that establishes a repayment schedule to replenish Regular Reserves for approved reserve charges or reserve transfer reductions.

Beginning in January 1997, field staff will monitor all 116 Assistance cases using SATEX and update the Risk Management System (RMS) monthly.

**4. 208 ASSISTANCE.** Section 208(a)(1) of the FCU Act authorizes special assistance to avoid liquidation *"in order to reopen a closed insured credit union or in order to prevent the closing of an insured credit union which the [NCUA] Board has determined is in danger of closing or in order to assist in the voluntary liquidation of a solvent credit union...."*. NCUA may grant assistance when the NCUAB has determined that such action is necessary to protect the NCUSIF or the interests of the members of the credit union.

A credit union with a deficit in Undivided Earnings, that has absorbed all available reserves (including Regular Reserves) except for the Allowance for Loan Losses account, may be considered to be in danger of closing. NCUA approval of some form of 208 Assistance is required for an insured credit union with a deficit in Undivided Earnings to pay dividends[3] on all share types including regular and contractual share accounts, as well as non-member deposits.

If a credit union has not absorbed all available reserves, the determination that the credit union is "in danger of closing" is somewhat subjective and will depend on the circumstances of each individual case. The NCUAB may conclude that a credit union is "in danger of closing" if two or more of the following conditions exist:

- Failure of the credit union or a loss to the NCUSIF is likely based upon an established (not temporary) trend or condition. The credit union is projected to be insolvent in 12 months or less. For example, successive periods of losses are projected to continue and further deplete the PAS;
- Specific unusual and non-recurring financial or economic factors or other quantifiable circumstances have been identified that will lead to the highly probable or imminent cessation of credit union operations;
- Management has been unable to correct identified problems.

NCUA may also grant 208 Assistance to facilitate a merger or purchase and assumption (P&A) of an insured credit union or to aid in the voluntary liquidation of an insured credit union. In the case of assisted mergers or P&As, NCUA will have determined that the credit union being merged or P&A'd is insolvent or is in danger of closing as defined above.

208 Assistance may be temporary or permanent in nature. Generally, NCUA limits temporary 208 Assistance to 2 quarterly (or 6 monthly) dividend periods. All dividends including dividends on regular shares, non-member shares, share certificates, and other share accounts are subject to this authority.

NCUA normally limits permanent 208 Assistance (subsequent to any temporary assistance period) to a 24-month workout period[4]. The RD, with concurrence of the Director of Examination and Insurance

[3] § 702.3(c)(3)(iii) of the NCUA Rules and Regulations

[4] Historical experience has shown that workout periods of longer than 24-months are not likely to succeed. The NCUA Board will periodically review success rates, as well as staff resources needed, for extended workout cases.

(E&I), may grant a one-time extension, not to exceed an additional 12 months. The RD issues an LUA for all permanent 208 Assistance requests approved that outlines the terms and conditions of the assistance. Field staff monitors all 208 Assistance cases monthly using SATEX and the RMS.

Permanent 208 Assistance may be either non-cash or cash. Non-cash assistance can be in the form of a Prior Undivided Earnings Deficit (PUED) - NCUSIF Guaranteed account or an NCUSIF guarantee of a credit union asset account or accounts. Cash assistance can be in the form of an NCUSIF loan, share deposit, capital note, or asset purchase.

The request for assistance must justify that the proposed plan is the best alternative for the credit union members and the NCUSIF. The RD ensures that documentation of the resolution alternatives considered, the estimated costs, and information to support cost estimates are included in the request. If an alternative other than the one selected would be less costly to the NCUSIF, the reason for not selecting the least costly alternative must be specifically addressed and clearly supported.

**a. Temporary 208 Assistance (Temporary Dividends).** Federally insured credit unions with deficits in Undivided Earnings shall not disburse dividends without the concurrence of NCUA. The credit union must request in writing, to the RD, that NCUA approve a PUED - NCUSIF Guaranteed account and allow payment of reasonable dividends. Temporary 208 Assistance is intended to prevent the collapse of the credit union while providing time to correct root problems, make necessary management changes, and provide clean financial statements.

NCUA approval of temporary 208 Assistance allows the credit union to establish a temporary PUED - NCUSIF Guaranteed account up to a maximum estimated deficit amount and to pay dividends for a maximum of 2 quarters or 6 months. This allows the credit union and the region time to either prepare a well-thought-out permanent 208 Assistance plan or to select another alternative.

NCUA grants dividend authority in quarterly (3-month) increments and each quarterly period must be requested separately. When dividends are declared and paid monthly by the credit union, the RD will approve each monthly dividend payment contingent upon receipt and approval of the credit union's proposed dividend rates and anticipated dividend expenses. Temporary dividend authority must not be used to delay strong corrective action.

The RDs and the Office of E&I are delegated authority to authorize a credit union with a deficit in Undivided Earnings to continue to pay dividends. The amounts delegated and concurrence requirements are outlined in the SUP 3 (2), Delegation of Authority.

Temporary dividend authority is granted as temporary 208 Assistance with minimal documentation. Requests for temporary 208 Assistance (temporary dividends) must contain enough information to show that it is beneficial to both the credit union and the NCUSIF to keep the credit union in operation.

Field staff monitors credit unions with temporary 208 Assistance using SATEX and updates the RMS monthly.

**b. Permanent 208 Assistance.** Credit unions must meet specific operational requirements prior to requesting permanent 208 Assistance. These requirements are addressed below. In most 208

Assistance cases, the RD will have previously or simultaneously approved 116 Assistance to allow a charge to Regular Reserves and/or to waive short term reserving requirements.

The request for assistance must document that the credit union has:

- A viable FOM
- Competent, capable officials in place consisting of a board of directors, supervisory committee, and where bylaws so provide, a credit committee
- Full and Fair Disclosure
- Balanced and accurate books and records
- A workout plan that repays/amortizes the assistance within the maximum of 2-years
- A track record of performance by operating management, or an agreement between NCUA and the CU's Board for hiring well-qualified operating management
- Corrected, or have an agreed-upon plan in place to correct, the root causes of the problems within a reasonable time frame (6 months or less)
- Written policies and procedures or an agreed-upon plan in place to develop and implement such within a reasonable time frame (6 months or less)
- A viable business plan or an agreed-upon plan in place to develop such a plan within a reasonable time frame (6 months or less).

If NCUA provides 208 Assistance to enable a credit union to hire capable management, the requirements for full and fair disclosure, balanced books and records, written policies and procedures and a viable business plan do not have to be met prior to approval of the assistance. However, if the credit union exhibits deficiencies in any of these areas, the correction of these deficiencies after capable management is in place must be included in the assistance LUA.

General Counsel review is recommended in cases where credit union officials need to replace ineffective or incompetent management prior to receiving permanent 208 Assistance, or when a request for permanent 208 Assistance is denied due to the officials failure to remedy noted management deficiencies.

208 Assistance workout plans may involve a combination of the many available forms of assistance. The most common forms of assistance are:

- Non-cash Assistance
- Cash Assistance
- Liquidity Assistance

Field staff monitors credit unions with permanent 208 Assistance using SATEX and updates the RMS monthly. These monitoring and reporting requirements apply to operating credit unions with approved non-cash assistance in the form of PUED - NCUSIF Guaranteed accounts, cash assistance in the form of NCUSIF capital notes, or other NCUSIF cash assistance.

**(1) Non-Cash Assistance.** Non-cash assistance includes PUED - NCUSIF Guaranteed accounts and NCUSIF asset guarantees.

**(a) PUED - NCUSIF Guaranteed Account.** Since no credit union with a deficit in Undivided Earnings may pay dividends, non-cash 208 Assistance may be requested in the form of a

PUED - NCUSIF Guaranteed account. The credit union footnotes the assistance on its financial statements and transfers the deficit amount into this special account.

**(b) NCUSIF Asset Guarantee.** When all remedies have been exhausted, the best business decision for the NCUA and the NCUSIF may be to arrange a merger, or purchase and assumption, or to liquidate the problem credit union. In merger and purchase and assumption agreements, the use of asset guarantees, as well as indemnification clauses, are appropriate only in limited cases, and must be documented and justified as projecting significant savings to the NCUSIF.

NCUA approves asset guarantees only in rare situations and normally for short (less than 12 months) periods of time. The region must provide justification in the concurrence package if the requested asset guarantee exceeds 12 months. The region ensures continued monitoring and supervision of credit unions with approved asset guarantees. When considering levels of delegated authority, the total amount of the guarantee is non-cash 208 Assistance. The Office of the Chief Financial Officer (OCFO) will list all asset guarantees exceeding 12 months in duration in the NCUSIF Monthly Report.

**(2) Cash Assistance.** Cash assistance includes NCUSIF Capital Notes, share deposits, loans, and asset purchases. The LUA may restrict the use of cash 208 Assistance to specific purposes, such as funding of share withdrawals, short-term investments, the hiring of qualified management, etc. The NCUAB must approve all cases in which 208 Assistance is to be granted for the specific purpose of hiring qualified management. Refer to page 1-10 of this policy statement for more specific information on the preparation of Board Action Memorandums (BAMs).

**(a) NCUSIF Capital Notes.** The NCUAB adopted a Capital Note assistance plan in 1981. Authorized under Section 208 of the FCU Act, this assistance is used in problem credit unions when a cash infusion by the NCUSIF at minimal cost or no cost to the credit union is necessary to restore profitability and to achieve solvency within a reasonable period (2 years).

An NCUSIF Capital Note is a subordinated liability and includes repayment terms. “Incentive Forgiveness” may also be included in the terms. The credit union may earn forgiveness by meeting pre-established goals tied to specific financial and/or operational performance benchmarks. Often forgiveness provisions are based upon a percentage of quarterly net income. The credit union’s future repayment of “Incentive Forgiveness” earned is described in the following section.

**(i) Use of Incentive Forgiveness of Capital Notes**. Generally, cash infusions are in the form of Capital Notes that the credit unions are obligated to repay to the NCUSIF. However, sometimes as part of the workout plans in the most severe cases where it would otherwise be impossible for the credit union to return to solvency within a reasonable period of time, credit unions may earn "Incentive Forgiveness" of part of the cash assistance by meeting performance goals and benchmarks defined in the assistance LUA.

When “Incentive Forgiveness” is included in assistance plans, the credit unions are allowed to write-off part of their undivided earnings deficits or other types of losses against the cash assistance. “Incentive Forgiveness” of NCUSIF cash assistance will be used only to the extent of eliminating the aforementioned deficit or losses, thereby reaching a zero net equity position. NCUA will not use this form of assistance to add to a positive net equity position in an assisted credit union. The RDs may submit exceptions to this policy to the NCUAB for consideration on a case by case basis.

**(ii) Repayment of Incentive Forgiveness of Capital Notes**. In cases where "Incentive Forgiveness" is incorporated into the workout plans, LUAs provide for some type of repayment to the NCUSIF after the credit unions have reached solvency, or reached solvency and accumulated some level of retained earnings. However, the NCUAB is also cognizant of the potential complications under GAAP created by the resulting contingent (repayment) liability. In addition, a continued strain on the long range prospects of the assisted credit union may be caused by imposing an inflexible policy requiring full repayment of all assistance in all cases.

The NCUAB has adopted the following policy regarding the repayment of "Incentive Forgiveness":

- Repayments to the NCUSIF will not exceed 2 years.

- Repayments will not exceed one-half of the credit union's net income after required transfers to statutory reserves.

- Repayments will begin when the credit union's net capital (all retained earnings less amounts needed in the various allowance accounts for full and fair disclosure) is equal to 4 percent of assets.

- NCUA may reconform to this policy those previously approved LUAs (prior to the adoption of this policy in February 1993), that are more burdensome to the credit unions (i.e., require a larger percentage of net income, require payments over a longer or indefinite period of time, require payments to begin at a lower capital ratio, etc.). These include "Incentive Forgiveness," as well as other types of assistance for which a credit union has a contingent liability to the NCUSIF.

- NCUA may allow deviations from the “Incentive Forgiveness” repayment policy. Depending upon the dollar amount of the deviation from the policy requirement, concurrence requirements are as follows:

⇒ The RD may approve deviations of $200,000 or less.
⇒ The RD may approve deviations of $200,001 - $4,000,000 with concurrence of the Director, Office of E&I. The Office of E&I will submit a summary to the NCUAB for all actions in excess of $200,000 within 10 days of concurrence.
⇒ The NCUAB must approve deviations over $4,000,000.

**(b) NCUSIF Share Deposits, Loans, and Asset Purchases.** In some cases, these forms of assistance may be part of a 208 Assistance workout plan. The RD defines the terms and conditions of these special assistance accounts in the LUA or other contractual agreement developed as part of the assistance plan.

**(3) Liquidity Assistance.** A credit union may need liquidity assistance when emergencies or situations such as sponsor problems, natural disasters, embezzlements, or other problems arise. A credit union may request an NCUSIF guaranteed LOC through the Central Liquidity Facility (CLF) in cases where the corporate credit union refuses to extend or increase the credit union’s available line of credit (LOC).

CLF staff reports the status of NCUSIF guaranteed CLF LOCs to the OCFO. The OCFO reports the information in the monthly NCUA Share Insurance Fund Report. The Office of E&I also reports on outstanding NCUSIF guaranteed CLF LOCs in the monthly 208 Assistance Summary Report.

Refer to NCUA Instruction No. 7320.1 for specific guidance on requesting NCUSIF Guaranteed CLF Lines of Credit, often referred to as CLF Loan Guarantees.

**5. SPECIAL ACTIONS.** Special Actions identifies, controls, and corrects serious problems in short periods of time to maintain the integrity and soundness of the National Credit Union Share Insurance Fund (NCUSIF). The commitment to strong and responsive problem resolution is not bound by regional borders, but represents a national concern. The regions must identify problem cases so that they can be dealt with in a manner that will minimize any loss to the NCUSIF. NCUA will utilize all available resources to accomplish this task.

**6. ASSIGNMENT OF CASES.** The RD assigns cases to the Special Actions division in each region. Cases are assigned based on such factors as size, complexity of problems, impact on district/regional program, degree of potential risk/loss to the NCUSIF, and political sensitivity. A Special Actions Problem Case Officer (PCO) will be the "examiner-in-charge" of credit unions with 208 assistance (unless otherwise approved by the regional director).

The assigned PCO will be held fully responsible and accountable for assigned cases. The RDs will assign no more than five cases to each Special Actions PCO.

The types of credit unions assigned to Special Actions will differ by region. However, consistent recognition and resolution of problems in all federally insured credit unions is a common goal.

**7. GOALS OF SPECIAL ACTIONS.** The NCUAB establishes the goals of the Agency which are implemented by the respective RDs. Each RD establishes goals that deal with Special Actions cases. The goals reflect the overall national risk management goals which are:

a. Detect potential/emerging problems early through effective district management.

b. Develop results-oriented supervision on marginal performance.

c. Reduce CAMEL Code 4s and 5s and large Code 3s.

d. Reduce the risk to the NCUSIF.

Specific Special Actions goals that ensure the efficient and effective use of specialized resources in assistance or administrative action cases include:

a. Establish and maintain control of identified problems.

b. Restructure management within 90 days, when appropriate and within agency guidelines.

c. Achieve profitability within 6 months.

d. Achieve solvency within 2 years.

NOTE: AGENCY POLICY STATES THAT ALL PERMANENT 208 ASSISTANCE CASES WILL WORK OUT OVER A 2-YEAR PERIOD OR LESS. EXCEPTIONS CAN BE MADE, BUT ONLY IN RARE INSTANCES AND WITH THE CONCURRENCE OF THE REGIONAL DIRECTOR AND THE DIRECTOR OF THE OFFICE OF E&I THROUGH THE DIVISION OF RISK MANAGEMENT.

NCUA recognizes that some cases may require a shakeout period and an extension of these time frames. Also, after exhausting all remedies, specific goals may not be met, but a "best solution" must be developed. The best "business decision" for the NCUSIF is the ability to "move ahead" to new and emerging problems and remain ahead of the problem case curve.

**8. CONSERVATORSHIPS.** RDs initiate conservatorship actions after obtaining concurrence of the Offices of General Counsel and E&I and approval of the NCUAB (refer to the Federal Credit Union Act 206(h) (2) (A) for FISCUs).

Conservatorships generally should not exceed 12 to 24 months. To ensure recovery or resolution within a realistic time frame, the region documents a resolution plan that outlines the anticipated plan of action to address immediate problem areas and its prognosis for the future of the credit union. The region also includes estimated time frames for return to the membership, merger, or liquidation in the resolution plan. The normal course of action will be for the RD to present the resolution plan at the time of the request to the NCUAB for approval of the conservatorship action. If the resolution plan cannot be provided at the time of the request for approval of the conservatorship action, the reasons(s) that the plan cannot be provided must be explained in the BAM. In these cases, the resolution plan must be provided to the Office of E&I within 90 days of the conservatorship order date.

In those cases where it is determined that the credit union's problems can be resolved and control can be returned to the membership, the region ensures that a business plan is documented by the conservatorship management team within 180 days of the conservatorship order date. The conservatorship management team and the regional director (as agent for the conservator), develop and sign the business plan. In lieu of signatures on the plan itself, there should be some other documentation with the plan to indicate that it has been reviewed and approved by the aforementioned individuals. Among other things, the plan establishes operational and financial goals, performance benchmarks, and target dates.

The regions must follow 208 assistance concurrence and approval procedures for conservatorship cases. 208 assistance must be approved by the RD (and E&I or the NCUAB in some cases) to continue payment of dividends in any credit union with a deficit in undivided earnings. The credit union's request for assistance will be either in the form of "temporary dividend authority" or a permanent PUED - NCUSIF Guaranteed.

The RD prepares a Letter of Understanding and Agreement (LUA) similar to those issued to other 208 assistance cases for conservatorships receiving 208 assistance. The RD will include the requirement for a detailed business plan and outline the financial performance benchmarks to be achieved for the duration of the 208 assistance workout period in the LUA. The agent for the conservator signs the LUA on behalf of the credit union.

The RD must consider that when the conservatorship is released by the NCUAB, many of the LUA requirements may pass on to the management of the credit union (i.e., board of directors) when structuring the 208 assistance LUA. The RD may modify a 208 assistance LUA in conjunction with returning control of the credit union to its membership or when warranted by changing conditions, using the appropriate approval and concurrence process.

Actions taken by the agent for the conservator (i.e., RD) that create additional exposure to the NCUSIF in excess of $200,000 will first be submitted to the Director of the Office of E&I for review and concurrence. Example: a costly conversion from an EDP service bureau to an in-house computer system.

NCUA requires that annual examinations be completed for all federal credit unions. In the case of a conservatorship, an independent examination provides an additional measure of quality control and a snapshot of the credit union's overall financial and operating condition as of a given date. It is in the best interest of the credit union and the NCUA to have experienced staff not previously involved in the management of the conservatorship conduct the examination. The assigned staff members will complete the examination with an effective date not more than 120 days prior to the proposed NCUAB action to return control of the credit union to the membership.

**9. THE NATIONAL TEAMS (TNT).** At times, a case may become more demanding than the resources (including the experience levels of responsible individuals) available in a specific region. Specialized National Teams will be developed to accomplish such tasks based on the national goal and the responsibility to manage the NCUSIF efficiently. The TNT will:

a. Move in, seize control, and establish a base of operation;

b. Quickly resolve critical or chronic problem cases; and

c. Prepare the credit union for project management personnel.

The TNT responsibility is to the "home" regional director and, as directed, by the Chairman of the NCUAB or the Director of the Office of E&I.

TNTs may be developed based upon the following thresholds:

a. Asset size $20 million or greater;

b. Estimated loss 10 percent of assets or greater;

c. Resolution period exceeds 2 years;

d. At the RD’s request after consultation with the NCUAB and the Director of the Office of E&I; or

e. The credit union has a peculiar "odor" or potential loss possibilities are not clearly definable.

The Office of E&I will coordinate personnel and will maintain a roster of Agency and non-agency individuals with specialized areas of expertise and background experience.

**10. REPORTING ON SPECIAL ACTIONS.** The regions and E&I monitor problem cases to evaluate progress and the effectiveness of regional management. Specific time frames are established to ensure an orderly flow of current information.

The NCUAB may require the RD to review and/or report monthly to them on the progress of identified cases. The RD is responsible for keeping the NCUAB apprised so that they fully understand the financial liabilities and political challenges facing the Agency.

Each region will input into the Risk Management System (RMS), by use of the SATEX workbook and the MS-Mail system, updated information on all operating credit unions with 116 or 208 assistance, or in a federally run conservatorship. Field staff updates the information on the RMS by the 25th of each month.

The RDs, the Asset Management Assistance Center, and the Office of Corporate Credit Unions submit "Reserve Needs" recommendations to the Office of E&I by the 15th of each month. This reporting function is the agency's best estimate of eventual cash outlay by the NCUSIF. Estimated losses must be realistic.

**11. BOARD ACTION MEMORANDUM (BAM).** The RD requests authority not delegated and requiring action by the NCUAB in the form of a BAM. Prior to submission to the NCUAB, the action requested by the RD requires concurrence of other offices. The Offices of E&I or General Counsel, or both may be required to review 208 assistance or administrative action, which requires NCUAB approval. The views of the Office of Community Development Credit Unions should also be solicited when one of these actions involves a low income credit union.

The reviewing office(s) needs adequate time to consider and respond. The RDs must send requested actions to the reviewing office(s) at least 15 days before the scheduled Board meeting. The RD submits a B-1 to the Secretary of the Board no later than 16 working days in advance of the Board meeting. (Refer to the NCUA Correspondence Manual and Board Meeting Schedule for further information.)

**Except in emergencies of which the Office of E&I and other interested, concerned and affected parties have been properly notified in advance, concurrence packages/B-1s not received within the specified time frames before an NCUAB meeting will be processed the following month.**

RDs provide BAMs to the Secretary of the Board no later than 1 week after the B-1 due date. Prepare BAMs in a concise style (two pages or less) stating the problem, needed action, accomplishments and future prognosis. Submit detailed summary and backup material deemed appropriate, but <u>not</u> as part of the BAM's text. As a minimum, the backup material will include:

a. Current financial statements, SATEX (or other form of historical trending), FPRs, etc.

b. Balance sheet and income projections (monthly or quarterly) with assumptions for 1 year.

c. Ratios as they relate to peer group and national averages.

d. Strategy for resolving problem(s).

e. History of the case (normally a regional summary which includes a history of management, supervision history with appropriate comments, alternatives considered, estimated costs of alternatives, and other supporting documentation as deemed necessary).

f. For administrative actions, include copies of the three most recent examination reports.

`Contact the Office of General Counsel for additional guidance on processing administrative actions.

**12. TRAINING FOR SPECIAL ACTIONS.** Training is an integral part of the Special Actions role in minimizing risk/loss to the NCUSIF. A highly trained and motivated group with strong technical and decision-making skills will ensure the soundness and consistency of problem resolution nationally. While experience is an important "teacher," it cannot entirely replace education for such a specialized group of examiners.

NCUA will hold periodic conferences that include all Special Actions personnel. Further training to enhance the different professional and experience levels in each region will be accomplished through inter-regional work, especially in large, complex and unique situations. This sharing of experience will provide a consistency to problem resolution that will positively impact on the risk/loss to the NCUSIF.

Specialized training for Special Actions should be developed in the areas of commercial lending, investments, agricultural lending, marketing strategies, negotiation tools, motivation, and stress management in addition to any other areas determined to be critical to accomplishing the mission of Special Actions.

The experience and training of Special Actions must filter to the rest of the field staff to improve the level of quality expected from all examiners. RDs determine the specifics of how this will be accomplished at the regional level. Examples would include team jobs with PCOs working with examiners, individually tailored training sessions conducted by Special Actions staff, etc. The Office of Training and Development facilitates this effort at the national level with specialized training such as the Problem Resolution Seminars. The higher degree of quality attained will minimize the potential for risk/loss to the NCUSIF.